

DARLENE GREEN
Comptroller



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section



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September 7, 2004

Mr. Brad Lambert, Co-Director
Mrs. Kathy Lambert Co-Director
Connections to Success
523 South Fifth Street
St. Charles, MO 63301

RE: Fiscal Monitoring Report of Connections to Success
(#2004-SLATE-30)

Dear Mr. and Mrs. Lambert:

Enclosed is a report of our fiscal monitoring review of Connections to Success, (Contract #115-04) for the period November 1, 2003 through May 31, 2004. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Connections to Success. Our fieldwork was substantially complete on July 16, 2004.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and an agreement with the St. Louis Agency on Training and Employment to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact me at 613-7257.

Sincerely,

Dwayne Crandall
Dwayne Crandall, MHA, CIA, CPA
Internal Audit Supervisor

cc: Honorable Darlene Green, Comptroller
Tom Jones, Director, St. Louis Agency on Training and Employment (SLATE)

Enclosure



CITY OF ST. LOUIS

ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)

*CONNECTION TO SUCCESS
CONTRACT #115-04*

FISCAL MONITORING REVIEW

NOVEMBER 1, 2003 THROUGH MAY 31, 2004

PROJECT #2004-SLATE30

DATE ISSUED: SEPTEMBER 7, 2004

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
CONNECTIONS TO SUCCESS
CONTRACT #115-04
FISCAL MONITORING REVIEW
NOVEMBER 1, 2003 THROUGH MAY 31, 2004**

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CONNECTIONS TO SUCCESS
CONTRACT #115-04
FISCAL MONITORING REVIEW
NOVEMBER 1, 2003 THROUGH MAY 31, 2004

INTRODUCTION

Background

Contract Name: Connections to Success
Contract Number: #115-04
Contract Period: July 1, 2003 through June 30, 2004
Contract Amount: \$79,590.00

This contract provided Workforce Investment Act funds through the St. Louis Agency on Training and Employment (SLATE) to Connections to Success for its Workforce Investment Act Adult program. The Connections to Success organization was responsible for recruitment of clients, to enroll at least 30 adults in job seeking skills class, job development/placement, and follow-up. Their goal was to place thirty (30) clients into employment. The jobs were for regular full-time employment at an average pay rate of \$9.00 per hour. Also, the Agency provided follow-up services at 30 days, 90 days, 6 months and 12 months.

Purpose

The purpose of our review was to determine Connections to Success' compliance with federal, state and local SLATE requirements for the period November 1, 2003 through May 31, 2004, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding Connections to Success' internal controls relating to the grant administered by the St. Louis Agency on Training and Employment (SLATE), tested evidence supporting the reports the Agency submitted to SLATE and performed other procedures considered necessary. Our fieldwork was substantially complete on July 16, 2004.

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**DETAILED OBSERVATION, RECOMMENDATION
AND MANAGEMENT'S RESPONSE**

Conclusion

Connections to Success did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report dated January 9, 2004 identified the following observation:

- Accounting Procedures were not in accordance with Generally Accepted Accounting Principals (GAAP). **Resolved.**

A-133 Status

According to a letter received from Agency management, Connections to Success was not required to obtain an A-133 audit for the period ended December 31, 2003 because they did not expend \$300,000 or more in federal funds.

Summary of Current Observation

We made a recommendation for the following observation, which if implemented, could assist Connections to Success in fully complying with federal, state and local SLATE requirements.

- Unallowed costs in job development

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Unallowed Costs in Job Development

In accordance with contract #115-04, page 5 paragraph 16, no more than the specified amount as stated in the Budget Section may be spent for the per performance unit cost by activity as outlined in the contract budget, without prior written approval of the St. Louis Agency on Training and Employment. It shall be the agency's responsibility to monitor the spending activities in order to avoid over-expenditure of any line item, and to take the appropriate action to avoid over expenditures.

IAS noticed the Agency had submitted its April 2004 reimbursement report and included three (3) ineligible workers in the category of Job Development. The Agency requested reimbursement in the amount of \$2,475.51 for these clients. The clients were placed in the following jobs college work-study, laborer, and Receptionist/Administrative Assistant. SLATE disallowed reimbursement for two clients because their jobs did not meet the guidelines for the program. Those jobs were college work-study and laborer; so, the Job Development category of the reimbursement report was reduced in the amount of (\$1,650.34). However, SLATE paid the Agency \$825.17 for its Job Development work. IAS noticed the third client was hired as a part-time Receptionist/Administrative Assistant which did not meet the guideline for the program. Therefore, SLATE should have disallowed the third client as well. As a result, the \$825.17 paid to the Agency was noted as questioned cost.

Recommendation

We recommend the Agency comply with the SLATE contract regulations and submit a check to SLATE in the amount of \$825.17 or provide the appropriate support documentation to verify that third client was employed full-time.

Management's Response

Our understanding of page 5, paragraph 16 relates to costs for which Contractee attempts to bill beyond that budgeted. That is not the case in this situation. Our internal cost report tracks all costs expended on a project and in some cases may exceed amounts budgeted. If we have spent more money than budgeted to achieve the outcomes targeted, we will do so and absorb the difference. If we believed over-

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expenditures have occurred because of SLATE, we will request a contract amendment per guidelines given.

With respect to reimbursement of a client in our April reimbursement report, we are investigating this with SLATE officials and will have a response to you by September 20, 2004.

Auditor's Response

Under the scope of work provisions "Jobs should be for regular, full-time (standard for the industry) employment at an average of \$9.00 per hour. Part-time employment is only considered if common practice locally for the job cluster. Placements solely for commission, temporary and seasonal jobs are not acceptable." Since the questioned costs involved a part-time position. We believe these costs were unallowable.